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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 9, 1935

IN my verbal report to the Stockholders of our Company at their meeting of one year ago, I made the statement that for eighteen months previous to that time there had been a steady advance in commodity prices, and that certain of our raw materials had advanced quite sharply, even to the extent in some instances of doubling in value during the previous year. Taxes had increased materially, and that these and other factors had brought about more or less speculative buying, on the part of the trade, so that our volume of sales for the year had been very heavy.

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Since the early part of 1935 markets have been unusually stable, and we find that our raw materials today are on approximately the same basis of value as they were last February. This has meant a period of fairly normal business.

Dealers quite generally have liquidated their heavy stocks so that they, too, are on a more normal basis; and while this has affected our soap sales for the current year to some extent, nevertheless our volume of soap tonnage has been but slightly less than it was in the previous year.

We have had a material increase in the volume of sales of our vegetable shortenings, due in a measure to the countrywide shortage of lard and its consequent increase in price. In my opinion we have made a real advance in this field.

In regard to our branches outside of this country, I am glad to report that our English plants have continued on a satisfactory basis

during the past year. We feel we have made good progress there. This is true also of our Cuban interests.

Since our meeting of one year ago the Company has acquired The Philippine Manufacturing Company, located in Manila. This Company handles soaps and cooking fats in the Philippine Islands, and also distributes its products throughout the Orient. Our experience since we acquired this business about nine months ago has been good, and we look forward with confidence to its further development.

Your Company always has believed in the value of research. We have found it of great benefit in the current operations of the business and in the determination of our plans for the future. During the past few years we have been disposed to intensify and broaden our activity in this field, not alone in scientific research but also in the field of personnel and market research.

In a general way the condition of the Company is healthy and we see no reason why it should not so continue.

During the fiscal year which ended June 30, 1935, our Federal taxes, that is: Federal income taxes, Processing taxes, and Manufacturers' excise tax which includes the tax on toilet soaps, amounted to something over $11,300,000, as against $3,800,000 for the previous year, and $2,117,000 for the year before that. In addition, we have been assessed duty on our imported raw materials amounting to $2,217,000, as compared to about $300,000 for the previous year.

In my report to you a year ago I referred to the Processing taxes which had been imposed, particularly the tax of 3c per pound on cocoanut and certain other oils. There can be no evading the fact that these taxes have an important bearing on the conduct of our business. Upon some of the raw materials which we import into this country Duty, or processing taxes, amount to 3c per pound, and on some others 4c per pound.

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This represents approximately 100% of the actual cost of the raw materials, and means in consequence, that the cost to your Company is about doubled.

It is hard to say definitely to what extent and in what manner our Company will be affected by certain of the laws recently enacted by Congress. It is fair to assume that the laws providing for the curtailment of farm products, such as cotton, pigs, corn and wheat will mean higher prices.

The effect of the Wagner Bill is uncertain, but for some time it is likely to cause confusion both to the employers of labor and to employees. Its final effect can be determined only by time and experience.

The Social Securities Bill which imposes a graduated tax ranging from one percent to nine percent upon pay rolls over the next few years means increased costs. While approximately one-third of this tax will be borne by the employees, I feel that as an item of expense, it will become increasingly burdensome.

In my opinion the graduated corporation tax is wrong in principle, and while the provisions of the present law are not seriously embarrassing, we regret the adoption of a principle which at some future time may be found to be harmful.

As you may have noticed from the Company's annual financial statement for the year ended June 30, 1935, the value of our inventory has increased during the year in the approximate amount of $16,364,000. This is largely accounted for by the increased price of materials. The actual tonnage representing our inventory is approximately the same as last year.

Increased cost of raw materials means an increased need for capital, and while our cash and securities on hand at the end of the year were less than they were a year ago, I believe that our financial structure is sufficient, and should be adequate to enable us to meet any reasonable increase in the cost of goods.

During our last fiscal year we have created a fund which we call "Material and Products Price Equalization Reserve." This fund, in the amount of $4,000,000, has been set aside to protect the Company against losses which inevitably attend the periodical price declines which sooner or later follow price advances.

It is our hope that this fund ultimately can be built up to an amount sufficient to take care of the losses likely to follow any normal declines. No one can guard against a cataclysm, but we believe it wise and highly desirable to make this provision for our protection from normal price reactions.

If one should review a chart showing the range of prices of fats over the past thirty years he would see that it is a continuous succession of ups and downs. We have only to refer to the losses which this Company was compelled to take in 1920 and in 1932 as a result of declines in value of its inventories, to understand the necessity of a fund of this kind for the proper conduct of the business.

Much has been said and written about the effect upon wages, hours of employment, etc., of the withdrawal of the NRA. I believe you will be interested to know that we have more factory workers now than we had when the NRA was in effect; that the workers are working exactly the same number of hours per week as they were then, and that our wage rate per hour is the same. In other words, we have made no change whatsoever in wages or hours since the discontinuance of the NRA, and have employed more people since that time.

During the past five years the number of our stockholders has increased steadily, and I am gratified to give you the following figures. The number on our books in 1930 was 15,669; from then on to the present date it has increased each year as follows:

1931—17,568	1934—28,434
1932—23,490	1935—30,529
1933—25,877	

As you know from the formal notice of this meeting which was sent to you, it is held for the following purposes: "To elect a Board of Directors to serve for one year; to receive and act upon the reports of officers; to consider and take action in reference to the acts of the Directors and Officers of the Company since the last annual meeting, and to transact such other business as properly may come before the meeting."

The first of these purposes is the election of a Board of Directors. The number of Directors authorized by our Code of Regulations is fourteen. In making up this number we have, for a period of years, asked you to vote upon the names of three workers selected by popular vote of employees at our Ivorydale, Port Ivory and Kansas City plants.

During the past year it was decided that we should discontinue this practice. The reason for this decision is that when the plan was started we had but three plants in the United States. The idea was to have employee representation on the Board from each of these three plants. Since that time the number of our plants has increased from three to ten, so that individual representation from three of them does not now constitute true representation on the Board. This has been repeatedly brought to our attention by the workers at some of the other plants.

As it is impracticable to have employee representation on the Board from each of our plants, we feel that in fairness to all the present arrangement had best be discontinued.

I am asking first that you adopt a resolution fixing the number of Directors for this year at twelve. Then, as the names are placed in nomination I ask that you vote for that number.

Of the twelve names which will be put in nomination, all are now Directors of the Company with the exception of Mr. Clarence J. Huff. Mr. Huff is General Sales Manager of the Company and has been in its employ for his entire business life. In my opinion his

election will add material strength to our Board.

If this be done our Board will have six members who are operating executives of the Company, and six members who are outside of the organization. While we have had no set policy in this regard, we believe the men suggested will make up a well balanced Board and I recommend their election.

I have no uncertainty in my feeling that business conditions are improving, and while I am alarmed by the unbalanced budget and by the huge sums which are being spent by the Government, nevertheless it is my feeling that natural forces will prevail and that the improvement now being felt will continue. Certainly it is our hope that better business will make unnecessary further legislation interfering with the natural laws governing trade, and will make possible the withdrawal of some of the destructive provisions now in force.

If I am correct in my belief that general business for the next nine months will be good, I see no reason to doubt that the business of this Company will be correspondingly good.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 14, 1936

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I AM very glad to be able to say to you on this, the occasion of our annual Stockholder's meeting, that our Company today is sound in every respect. During the past year there has been steady improvement in the operation of the business. This has been true in practically all departments, and as the year has been a normal one in so far as price fluctuations are concerned, it is my belief that the improvement is genuine.

In our own country the sale of our soap products has been satisfactory, not only as to total tonnage, but as to the character of sales, which has improved definitely. I mean by this, that during the depression years many consumers of household commodities abandoned the use of the standard good-will brands in favor of the poorer grade products, while now there is a positive indication that these consumers are returning to the brands of superior quality.

Regarding our sales of shortening, the year's volume has shown an increase. As the result of a shortage in the corn crop of 1934, and the consequent reduction of the available supply of hog-lard, it has been found necessary to increase sharply the manufacture of vegetable shortenings in order to meet the nation's requirements for cooking fat, and from all indications it seems likely that this increased rate of production will be needed over the next twelve months.

In England our operation has continued along sound lines, with a steadily growing business. We look forward with confidence

to our growth and development in that country. In a general way this same condition applies to our business in Cuba.

You may recall that in my report to Stockholders made last year, I mentioned the fact that we had purchased property in the Philippine Islands. We acquired this property in January, 1935, and our operations there for the eight months prior to our annual meeting of last October were quite satisfactory. This has continued to be the case during the year just ended, and we have every reason to believe that our plans for this branch of the business will be carried out much as we had them in mind when we made the investment.

Our inventories at the present time are below normal in amount, but taking stocks on hand and contracts for future delivery of raw materials together, the total is about normal.

Our Cash position is approximately the same as outlined in our annual report of June 30, 1936, and is thoroughly adequate to enable us to conduct our business, and to allow for an increase of approximately 25% in the price of raw materials. Of course it must be borne in mind that rising raw material prices necessitate an increased amount of available working capital.

It may be interesting to our Stockholders to know that we have continued to strengthen the technical departments of our business, and have placed particular emphasis upon chemical, engineering, sales, advertising and personnel research. In our opinion this policy is essential if our Company is to be kept in a strong competitive position, as there can be no question that the past few years have seen, and certainly the future will see increasing efforts to develop new products, new procedures, and new processes for the advancement of business.

I feel that it is proper for me to refer in this report to the Federal Law recently enacted which places a severe tax upon undis-

tributed earnings. I believe this Law to be wrong in principle and hope that it may be repealed. It certainly is unfortunate to have a law in effect which virtually forces the distribution of practically all of the earnings of a company, for the obvious reason that there is constant need, in any business, to make expenditures for the improvement of its facilities, as well as to provide for such expansion as may be necessitated by increased volume of sales. Certainly the sound procedure is for a company to grow and take care of its growth from current earnings, rather than to depend upon the flotation of new capital issues to finance such progress.

This Law also has the effect of preventing a company from making provision in advance for the continuance of dividends during a temporary slump in business. The payment of additional dividends to avoid a tax on undistributed earnings can only mean that dividends would be increased in prosperous periods, and inevitably would be decreased should the earnings be reduced in a period of stress or depression.

We have not added to our Reserve for Material and Products Price Equalization during the past twelve months, and it stands as it did at $4,700,000.00. With prices of raw materials remaining relatively stable, there have been no large profits resulting from the increased values of our raw materials, and as long as prices remain on this level there seems to be no need for further increase in the Fund.

The number of Stockholders on our books October 1, 1936, was 32,533. This is an increase during the year of 2,004.

We have had a good business for the first quarter of this fiscal year, and it seems quite certain that it will be reasonably good over the next quarter; beyond that it is impossible to say with certainty because our business, indeed all business, depends upon general conditions in the country, and of course general conditions in this country will be

definitely affected by world events, as well as by the political situation here.

In my opinion a balanced National Budget, irrespective of the party in power, is essential to the country's well-being, and if this is not accomplished it would seem to me that any improvement in conditions must be short lived, or so unsound as to result in a sharp setback at a later date.

With reasonable conditions I feel that the soundness of our business, our position in the industry, and the inherent strength of our organization can be maintained.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 13, 1937

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I AM very glad to be able to tell you that during the past year our business has been good in practically every department. Our sales of soaps and vegetable fats have been steady throughout the entire twelve months, and we have made satisfactory progress in this country not only in the total tonnage of the products sold, but we also have shown definite increase in the sales of our better grade, standard good-will brands.

In England and Canada we have gone ahead in a gratifying way, while our operations in the Philippine Islands and in Cuba have continued on a good basis, so that in every location where the Company operates an improvement has been shown during the year.

It may be of interest to you to know that the same basic principles upon which we conduct our business in America have been applied to, and have been found successful in our operations in other countries.

We believe it will be a satisfaction to you to realize that The Procter & Gamble Company, in completing its one-hundredth year, has had the largest volume of business in its career. This can be attributed to certain definite factors:

First, the Company has placed foremost in its efforts the building of a strong organization.

Second, it has concentrated upon the uniform production of goods of high quality.

Third, it has maintained at all times the highest efficiency in its manufacturing plants.

During the past year the Company has

found it necessary, as a result of the growth of the business, to carry on quite an extensive building program. In addition to this, following a definite policy, it has kept all of its properties in excellent condition, and has made material improvements in many of its manufacturing facilities.

In my report of last year I mentioned the fact that many new procedures and processes had been initiated in the soap and edible fat industries, making it highly desirable that we not only keep pace with this progress in the industry, but in so far as possible that we anticipate it.

Our Company recognizes the importance and value of research in its sales, manufacturing, and advertising departments, as well as in its personnel.

Some ten years ago a department of consumer research was started, and since that time has become a most valuable factor in the conduct of our advertising and sales promotion work. This is in addition to the larger research programs conducted by our chemical and mechanical departments.

In referring to "research" I realize that the word has been so generally used of late that its significance may not be entirely clear. With us research means an intensive study of the problems which are involved in this business, both of the present, and as they may be anticipated for the future. Research of this kind has proven profitable, and has more than paid for itself. To justify research we must make a better product for the same cost, or a product of like quality at a lower cost; or, if applied in another direction, such as personnel, it must demonstrate its value from a purely business standpoint.

In my own opinion this constant effort to better what we have, and to anticipate the trends of the future, has been an important factor in keeping the Company in its relatively strong position in the industry.

During the past year the labor situation has demanded a great deal of time and

thought. We have met advancing costs and rising standards of living with prompt wage increases. We have continued and broadened our labor relation policies, and believe that our employees recognize the fairness, justice and adequacy of these policies.

In order that I may refresh your memory, I will say that we have in effect our Profit-Sharing Plan, which has been in operation now for fifty years; a Plan of Guaranteed Employment which assures the worker of not less than forty-eight weeks of work per year; an old-age Pension Plan, a Plan covering sickness and injury, one providing for a payment of death benefits to designated beneficiaries, and last year we inaugurated the practice of allowing our factory workers one week's vacation with pay.

These Plans, together with our constant contact with the employees, both individually and through their chosen representatives, have resulted in a cooperative effort throughout our organization which has been most gratifying.

The large crops of agricultural products this year, not only in our own country but throughout the world, have resulted in a general decline in the prices of our raw materials, and while the lower prices created a problem as a result of lessened values, we believe the situation is being worked out satisfactorily. Of course, in looking ahead over a longer period, we consider lowered raw material costs as definitely desirable.

You will have noticed from the Company's financial statement of June 30, 1937, that the business has required all of its available capital. This was indicated to you in my annual report of last year. However, with the cost of raw materials lower now than the prices which have prevailed during the past twelve months, it seems as though our cash position can be maintained, and possibly may show improvement during the year.

I feel that I must repeat to our shareholders my statement of last year that the Federal Tax

on Undistributed Earnings imposes a severe burden upon the operation of a business. The fact that it compels a corporation to distribute its earnings in dividends, or else pay a severe progressive tax on those earnings which are not distributed, is in my opinion unsound. It is impossible to conduct any business without using a substantial amount of cash each year to take care of improvements and expansion. If a corporation were to pay out its entire earnings to avoid this tax, it would mean that each year additional capital would have to be secured for the business; whether this were obtained by borrowing, or by new capital issues, we believe the procedure to be wrong in principle, and one which inevitably must lead to trouble.

As a result of the Ohio River flood last January the Company suffered considerable loss, and for a time was obliged to operate under the greatest difficulties. Our Ivorydale plant was entirely inundated, the water being in the second story of many of the buildings. The Executive Offices in the Gwynne Building, in Cincinnati, had to be evacuated on account of the absence of water and electricity in the City. However, the situation was met by such a remarkable spirit on the part of the employees here, and at our other plants, that we were able to fill our orders as received without unusual delay.

During the past year the number of our stockholders has increased from 32,533 to 34,281, a gain of about five percent since October 1, 1936.

It is impossible to predict with accuracy the result of our operations for the next twelve months. There are many factors to be considered which might cause sudden change and up-set in anyone's calculations, but it is encouraging to know that during the past twelve months there has been a good consumers' demand for our products, and we see nothing in the immediate future to indicate any change in this respect.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 11, 1939

IT is a satisfaction to be able to report to you that during the past year our Company has done well. This has been true not only in the United States, but in the four other countries in which we operate—these countries are: Canada, England, the Philippines and Cuba.

For eleven months out of the twelve, that is, from October first of last year until September first of this year, our business had developed with considerable uniformity; there were no unusual conditions to affect it until the first of September of this year which marked the beginning of the European war, though the uneasiness pervading Europe during August may have been reflected to some extent in the affairs of this country; but I think it fair to say that for the eleven months leading up to the first of September our business was quite uniform and quite good.

Since war was declared in Europe things have been upset all over the world. So far as our own business is concerned, prices of raw materials have advanced sharply; there has been a fear on the part of the consumers of the country that they might not be able to buy certain goods when they wanted them, at the prices they wanted to pay. This fear on the part of the public resulted

in excited market conditions and a tremendous wave of buying.

At present I feel that this uneasiness has been dispelled and the volume of our sales now is on a normal basis.

It is difficult to know just what effect upon our business the European war will have, but based upon our experience in the World War, it seems likely that American business will not suffer immediately and may, temporarily, be helped; however, I feel that I can say with certainty that if the war in Europe should continue for any great length of time, or if this country should become involved as a participant, the business of the country, and of our own Company, is bound to be adversely affected. We know that war usually has a stimulating effect temporarily, but that economically it is bad, as it means waste and destruction. A long war in Europe, even without the participation of this country, is almost certain to result in restrictions and controls in this country which will hamper operations and there will be the inevitable let-down when the war is over.

We are mindful of these things and the affairs of the Company will be operated from a conservative standpoint, in the sanest way possible in the light of existing conditions.

It is too soon to estimate the effect of the war upon our business in England and Canada. Our plants in both countries are operated by local subsidiary companies; there have been put into effect in England very rigid controls of all business, to which we are conforming in every respect. At the moment Canada has not gone as far in the

matter of controls as England, but undoubtedly rules and regulations will be formulated as the situation develops.

From an accounting standpoint we believe it to be good practice to exclude from our quarterly statement of Consolidated Earnings our English and Canadian profits, except those which may be made available in this country, in United States funds. This will be done for the duration of the war.

The amount of our net assets in the two countries mentioned is something over twelve million dollars, of which in excess of eight million dollars represents undistributed earnings of the two subsidiaries. At the end of the present fiscal year it may be advisable to exclude such undistributed earnings from our Consolidated Earned Surplus; however, no definite decision on this point need be made at present.

We are most fortunate in having a business which furnishes people with certain of the necessities of life; some of our products are vital essentials, and all are "necessities" in the common acceptance of the term.

At this moment I can see no reason to feel that our business in the Philippines and in Cuba will be any more affected than will our business in the United States. We look forward to continuing operations in both of these countries on the usual basis.

In our financial statement for the year ended June 30, 1939, we indicated that the affairs of the Company were being operated with the thought in mind that we should be ready to meet any situation growing out of a world emergency; the trouble which

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has been brewing for a long time in Europe has prompted us to keep on hand a good supply of raw materials and to build up a cash position which should be adequate protection for some time to come; it is quite essential to the operation of our business that both inventories and cash should be well protected, and we will continue in our efforts to maintain them on a proper basis.

I think it is an appropriate time to speak again of our organization and its importance in the conduct of the affairs of the Company. A critical time always emphasizes the great necessity for capable men in the key positions of our Company. We must have men of such caliber and ability that they can carry the Company through any emergency which it may be required to meet. We not only must have such men, but we must see to it that it is worth their while to stay with us.

In a period such as this men of real ability are in great demand; in my opinion that demand will be greater than the supply, so it becomes increasingly important that we continue our policy of maintaining an able and vigorous organization—one made up of men capable of administering the affairs of the Company so that it may continue to be a successful, profitable institution, retaining those standards which have characterized it from the beginning.

A strong organization, in my opinion, is the best protection which the shareholders of this Company can have, and is the best security for its employees. I believe our organization is stronger today than it was a year ago and there will be no let-up in our efforts to strengthen it further.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 9, 1940

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FOR the past two years our Company has been operated with the thought very definitely in mind that we must be ready at all times to meet sudden emergencies. This was quite clearly stated in my report to you at our Stockholders' meeting of last October, so it is with great satisfaction that I am able to say to you again that our business as a whole during the past year has been good, and the operation of our Company at the present time is on a sound basis.

The fact that the statistical trade index shows that general business throughout the country is on a high volume basis is helpful to our own business and I see nothing in the immediate future likely to change this situation.

The raw materials which we use in our business are plentiful and should remain so; it does not seem as though there would be any difficulty in the immediate future in obtaining a sufficient supply for our needs. This is due largely to the fact that the fats which we use are produced mainly in this country and to a lesser extent in the Philippine Islands, and there has been no particular interruption in the flow of goods across

the Pacific Ocean. We feel safe in making the broad general statement that the war in Europe has not, up to this time, affected in any major way our operations in this country.

During the past several years we have done much to strengthen the business of the Company in our own country—to refresh your memory—we have added several new plants in advantageous locations and now have the country well covered from the standpoint of production and favorable freight rates, which means the ability to supply our trade quickly and from centrally located plants.

The equipment of all of our plants has been gone over thoroughly during the past two or three years and we believe it to be modern, up-to-date and highly efficient. We have added and installed improved processes, and have made all of our older plants as nearly as possible the equals in production efficiency of the plants more recently built.

We have continually kept in mind the importance of a strong organization, and the importance of good, harmonious relations with our employees; much time and effort have been put into the study of these matters, and we are genuinely confident that our organization as a whole understands and appreciates the attitude and disposition of our Company in this respect.

No one can possibly foresee what the future may hold, but at least we have the satisfaction of knowing that if we have built wisely in the past in preparation for the

future, and we believe we have, we are as well prepared to meet conditions as they may develop as is possible; it is my opinion that we should be able to take care of the business in a satisfactory manner whatever conditions we may have to face.

The Company's cash position is strong, and we believe it will be adequate for our needs.

In regard to the new Tax Bill, while it is not possible at this time to state definitely its exact effect upon the Company's earnings, we can say with some assurance that the Net Earnings which will be allowed before the Excess Profits Tax is assessed will be about 95% of the average Net Earnings of the past four years. The gross earnings up to the average of the past four years will be subject to a tax of 24% instead of 15% to 19%, the rates which have prevailed over the past four years. Gross earnings in excess of the average for the past four years will be subject to a tax of approximately 63½%. Nevertheless the proposed law gives us a good basis for Net Earnings before the Excess Profits Tax takes effect, but it will be very difficult to earn and have available for dividends as much as we had last year.

Regarding our business in the war zone, we know as of recent date that our plants in England had not been damaged, and the production and distribution of goods have continued there at approximately a normal rate. We can only say that we are hopeful this may continue.

The financial condition of our English

business was shown in our fiscal statement of June 30, last, although no English profits were included in our Consolidated Statement of Net Earnings.

Our Canadian business is moving along in a normal and satisfactory manner, although the amount of cash that we may withdraw from that country is limited and probably will be limited throughout the duration of the war.

The volume of our business in the Philippines and in Cuba has held up well. The earnings in these two countries have been slightly under the average for the past few years.

We are mindful of the fact that we are facing a very critical period in our own country, and believe we are doing everything possible to be prepared for any situation which may arise.

I feel that we are exceedingly fortunate in the type of our business as our products are real necessities, and judging from experience in England during the past year, the production of our plants here would be vitally needed for the people of this country even should our country become involved in the war.

Conditions are too uncertain for me to attempt to make any forecast as to the future of our business, but I believe that satisfaction may be derived from the fact that it already has continued for many years, has withstood wars, floods, fires and panics, so I have every confidence that whatever the future may hold, our Company will give a good account of itself.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 8, 1941

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IN view of the unusual conditions existing in the world today, I am happy to be able to say again that during the past twelve months our business has been good.

There is no question that both the dealer and the consumer are holding more soap, and more cooking fat, in the store and in the home than was the case at this time last year. However, while we think this accounts partially for our large shipments, we do not believe that the quantity so held is excessive.

On the other hand we know that the consumption of goods is running at a rate materially in excess of the consumption at this time last year; this is a natural result of the increased weekly earnings of the great mass of people in the country.

It is our belief that we have kept pace with the industry and that our position is as good as, if not better than it was a year ago.

We mentioned in the letter which accompanied our financial report at the conclusion of the fiscal year ended June 30, last, that there might be trouble in securing some of our necessary raw materials. The situation is not different now from what it was then—whether or not we will have serious difficulty depends almost entirely upon the situation in the Far East; or, to put it in another way, on whether there are good or bad shipping conditions on the Pacific Ocean.

As we told you at that time, this country does not produce sufficient soap-making fats to manufacture the soap required in America; it is necessary that we import about one-fourth of our oils, which are obtainable only in the Far East, and up to the present time we have been able to do this.

It must be obvious also that as a result of the Defense effort in this country many supplies such as metals, paper, containers, etc. are becoming increasingly difficult to obtain. I feel, however, that our Company is in a fortunate position in this regard for the following reasons:

It is a manufacturer of edible products.

It is a manufacturer of soap, which is an essential product.

It is a very large producer of glycerine, which is so vitally needed in the Defense effort.

For these reasons we believe that our Company can be looked upon as being very close to an essential industry in the matter of defense, and an important one for the general welfare of the people. Thus far we have been able to secure the supplies actually needed for the operation of our business.

I feel that I should direct your attention to the fact that during the past year the cost of our raw materials has more than doubled; the advance has been very rapid, as has been the case with most general commodities. Very naturally the increased cost of raw materials means an increased cost of finished goods; while we do not like a situation which results in higher prices for

the consuming public, it is a matter which we cannot control.

In the light of these advancing costs, we report for the benefit of our shareholders that there is no thought of speculation in our operations. Our business is conducted strictly with the idea of converting raw materials into finished products at a profit. We feel strongly that this is no time for speculation and that our first and primary effort should be to acquire raw material, have a reasonable quantity on hand for the protection of our position in the industry, and then to process these materials into finished products to the best possible advantage.

Through the past ten years we have at times created a reserve out of profits arising as a result of advancing prices of raw materials, calling such reserve a Material and Products Price Equalization Fund, for the purpose of taking care of possible loss resulting from later decline in the prices of raw materials.

We have considered carefully the desirability of building another such fund, but there are so many unusual factors that enter into the situation at the present time that we have decided it to be impracticable. For your information, and as a matter of interest, we would say that in a period such as this, in which prices are high and there seems to be no practical way to set aside a fund of this kind, we realize that our Company must be particularly mindful of the possibility of loss from a shrinkage in value, so that it will be our effort to avoid any

larger inventories at the high prices than are necessary for the proper operation of our business.

In planning for the future it seems to us that the wisest thing we can do is to keep the business as snug as possible, in the sense of having a reasonable amount of available cash and raw materials on hand for its operation; in keeping all plants and equipment in as fine physical condition as is possible; in strengthening our organization in every way, and in operating with the thought in mind that conditions are not going to be easier, but will be harder.

We are more than pleased to report to you that there has been very little damage to our three English plants as a result of the bombings there. There has been some minor damage, and some incendiary bombs have been dropped, but no material damage to the plants has occurred. We are operating on a surprisingly good schedule in England, considering the difficulties which that country has had in the importation of its raw materials. Earnings there are limited by the tax laws, and we expect to earn the full amount allowed us. These earnings, of course, are not included in our financial statement, due to the fact that the funds so earned were not transferred to the United States.

In Canada, Cuba and in the Philippines both business and profits have been satisfactory. A limited amount of our Canadian earnings have been transferred to our account in the States, but only such amount as actually has been received here in United

States funds has been included in our financial statement.

In the letter to shareholders which accompanied our financial statement at the close of our last fiscal year we mentioned The Procter & Gamble Defense Corporation, which was organized to facilitate the handling of our contract with the United States Government for the erection and operation of a shell-loading plant at Milan, Tennessee. This is formally designated as "The Wolf Creek Ordnance Plant."

I will say again that our Company is not putting up the funds for the erection or the operation of the plant. The Government is doing that. What we are doing is supplying the Management. It is a very large job and has taken temporarily a great many of our men, and probably will take more; and while this places a good deal of a burden upon the Company, we feel that it is no more than should be expected of us in times such as these. We have taken great pride in the erection of the Milan plant and have every reason to believe that the Government is pleased with the work.

There are unusual difficulties attending the administration of a large business today; there are difficulties ahead; it is not possible to foresee their exact nature, nor the direction from which they will come; it is, however, possible to operate the business with these factors in mind and to hold ourselves in readiness to meet the unusual situations as they arise, and this is what we are attempting to do.

In conclusion I will say that in the one

hundred and four years of this Company's existence it has passed through many periods of uncertainty and many trying and difficult situations, all of them different. We know that the period ahead will prove different from all of the abnormal periods of the past. It is our expectation that with good management, and with the application of sound, sane operating methods of procedure through the months to come, we will be able to meet and to handle each situation as it may develop.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 14, 1942

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SINCE our last shareholders meeting, war has come to our country, a war of such worldwide magnitude as has never been known before. The full impact of this war still has not reached us as individuals or as a Company, but it seems to me it is coming on us now very, very fast. The rapid conversion of our country from a normal peace-time basis to a full war-time basis is bound to affect violently all phases of our industrial as well as our personal lives.

The increased needs of war materials mean lessened supplies for the civilian. He sees it first in shortages of finished products, but behind that and foreshadowing it are curtailments of raw materials—machinery—equipment of all kinds—wrappers—packages—tin—wood—paper—chemicals—transportation—lack of imports—and many other things. There is no use fooling ourselves—the country is rapidly converting its equipment and man power to produce those things necessary for the conduct of the war and the history of the past twelve months will be no particular guide to what is going to happen during the next year.

While our Company has been greatly affected by the war, nevertheless we have been able to ship a reasonably satisfactory tonnage during the past year.

Naturally, business conditions have been trying and will continue to be more and more difficult. The growing shortages of

materials, the lack of proper personnel, and the many other things which double and triple the difficulties of doing business are part and parcel of these times. These things are to be expected in war-time, and I am glad to say that we feel our business is doing exceedingly well under the circumstances.

Over ten percent of our Company personnel is now in War Service—over 1200 men of whom we are very proud, including many of our finest technical men at the two shell-loading plants.

The shell-loading plant at Milan, Tennessee, is operating efficiently and has satisfactorily met all production schedules set for it by our Government. A similar plant being constructed and to be operated by the Company at Aberdeen, Mississippi, will begin production very soon. As you know, both plants are being operated on a nominal fee basis for the Government. The Company has no investment in either plant.

Looking at our foreign operations, you are already familiar with the fact that our plants in the Philippines and in Java fell into the hands of the Japanese when those countries were occupied.

In England our three plants have suffered no material damage and we are meeting the production schedule set for us by the British Government. Our profits are limited and all British earnings are segregated there, which is right and proper, be-

cause we have always made it our policy to conduct ourselves as though we were an English firm, and to cooperate in every way possible with the wishes of the British Government.

Our business in Canada is proceeding satisfactorily. Here again, raw materials and profits are limited and we are operating with strict attention to the wishes of the Canadian Government.

Now in looking ahead, I find it extremely difficult to make any predictions, but here is our thinking on the matter. Our own Government has rationed the Soap and Cooking Fat Industry on the basis of 90% of materials used in the average of the calendar years 1940 and 1941. This will mean a shrinkage in our business of 10% to 15% over what it has been in the past eighteen months. It may be that the great production of fats in this country this year will change this rationing basis later on, and if so, it would of course be helpful.

The Company is going to be benefitted by its crushing plants inasmuch as this year's crop of cottonseed, soya beans, and peanuts combined is the largest in the history of the United States. In this phase of the business we stand to gain materially in tonnage.

Looking ahead at the soap and cooking fat business, the chances are that the United States Government will need tremendous quantities of these, so that outside of supplying civilian needs, there may be enough

Government buying to give us normal tonnage on soap and cooking fats for the next twelve months.

In the past, we have never felt it advisable to predict future earnings because in a normal free-operating economy any business is at the mercy of events beyond its control. Today, however, we are operating under the rigid controls maintained by our Government. We are purchasing raw materials at set and controlled prices. We are selling practically all of our commodities at set and controlled prices, so that the resultant Company profits, within prescribed limits, are set and controlled. If one could assume a given tonnage of business in keeping with the amount of raw material which we can reasonably expect, then even though this would result in lessened profits, it would still be possible that the Company could earn under this controlled basis an amount which would enable us to pay the same rate of dividend during this fiscal year, that was paid during the past twelve months upon our preferred and common stocks.

In making a statement of this kind, you must understand that in the exigencies of war, the Government has the power to change its decisions at any time and a change in the basis of operation could materially affect the total earnings.

Now, in closing, I can say to you that our plants are in excellent condition. The morale of our organization was never better, and we believe that our products en-

joy the highest standing with the consumer. If these three phases of the business can be maintained on the present high plane, then indeed we have a Company that can step forward when conditions are more nearly normal.

Not knowing what is ahead of us, we can only aim to meet circumstances as they develop, and I am confident of the ability of the organization to do a good job.

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Report of
Richard R. Deupree, President of
The Procter & Gamble Company,
to its Stockholders at their
Annual Meeting, October 13, 1943

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OUR business as a whole during the past twelve months has been good. Raw materials for soap-making have been hard to get. In fact, it has been impossible to obtain the tonnage of raw materials we processed in 1940-41, due to Governmental regulations. However, this has only slightly affected our total operations, with soya bean, cottonseed, and peanut crushing all above normal and a normal supply of edible fat available.

We are glad to tell you that the situation has recently improved on raw materials for soap making. We are working very closely with our Government on this—working to conserve these raw materials in every possible way and to produce from them as much soap as possible in order to keep our country supplied with this very essential commodity. In the second quarter of this calendar year our production was about 70% of our 1940-41 basis. It looks as if we will have sufficient raw materials to operate close to 90% during the next several months.

I hope that our Government will proceed on the basis that an essential amount of soap and edible fats must remain in this country to be used by its citizens; and that any surplus of these products should be used directly in the prosecution of the war abroad. I am not speaking of post-war needs, but of soap and edible fats to be used, as food has been used, as powerful weapons to win

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this war. There is such a vast need for these materials in the occupied countries of Europe that America could not, of course, hope to supply all that would be required there as the military campaign progresses.

It is my hope that the Government will also see the wisdom of this position in the interest of the health of our people. Public health here demands soap. Cleanliness has always held an important place in America's standard of living, and today our products are doing a vital job in protecting health through cleanliness.

It is important that we make a start toward getting the American people to conserve soap and fats to the fullest extent. I certainly speak for our Company, and I believe for the whole industry, when I say that we are ready and eager to acquaint the general public with the need for careful usage of soap and fats. We already have made a start on this through our advertising, by urging consumers to use soap intelligently and without waste.

There has been practically no change since our last report in our business in foreign lands. We are doing a normal business in England and Canada and in these two countries are closely co-operating with the Governments in the prosecution of the war. In Cuba our business is normal although handicapped a bit by the lack of raw materials. Our plants in the Philippines and Java are in the hands of the Japanese.

The administration of our two Procter and Gamble Defense Corporation shell-loading plants at Milan, Tennessee and Aberdeen, Mississippi, is highly satisfactory to the War Department. Though we have never felt free to discuss the operation of these war plants, many, many improvements have been made there, both in speed, safety, and in lower cost of the finished units. As a matter of fact, I want to take this occasion to tell the men and women responsible, how proud we are of their record of achievement. The Wolf Creek Ordnance Plant at Milan was one of the first two plants in the high-explosive loading group in the country, to receive the Army-Navy "E" Award and the employees there recently received an honor star for their "E" flag for continued excellence.

Probably it will come as a surprise to most of you in these days of controlled prices to know that the per pound price of edible and soap-making fats is up approximately 100% since 1939. There is no possible way of predicting whether these prices will remain where they are, or go higher or lower.

In thinking of the cash required for the operation of the business, we believe it advisable to assume at least present prices for an indefinite period. This means that the Company must maintain larger and more liquid balances than it did in 1939. Our other great need is for cash funds to

handle the crushing of cottonseed, soya beans, and peanuts. Eighty percent of these crops move to the crushing mills within a period of three months and all take eight to ten months to process.

To meet this situation as well as to provide funds for buildings, new equipment and added plants in the post-war world, we have carefully conserved our cash resources. This was accomplished mainly through reducing inventories. However, the building of additional plants and the purchase of new equipment also has been suspended but, of course, these expenditures are simply postponed for the duration. If you will look back at our annual report of June 30 of this year, you will find our financial position fully outlined there.

All of us realize that there is a hard period ahead in the war effort. I am not one of those who feel that the war is going to end tomorrow, but do feel that the tide has begun to turn and the war is being won by us and lost by our enemies. It is essential that we begin to think about post-war conditions and our activities in that post-war world. Our views are not set and rigid, for flexibility of thought will be required to make decisions in these coming times. Meanwhile we are alert to new products and new procedures, to discoveries and improvements which have been made in this war period and which will apply to our business. We are cognizant of the need

of a building program and must prepare for it. We are mindful of our employees, returning from the Armed Forces, who must be taken care of, and are making our plans with that end in view.

Mr. Clarence J. Huff, our Vice President in Charge of Sales, died suddenly on August 17, 1943. This was a great shock to all of us and a severe loss to the Company. His entire business career had been spent with The Procter & Gamble Company and he had contributed greatly to its progress over a long period of years.

I am sure that most of our shareholders realize the strain under which many of our employees are working. The shortage of manpower and materials increases the tension and makes operations increasingly trying and only men schooled in the business and vitally interested in it can meet the difficulties of these times.

I point this out because there may be some who feel that we can employ executives for less than we are paying and still have men capable of administering the business properly.

Personally, I am especially concerned when I look ahead and think of the younger executives who are the ones we look to to carry the Company forward.

Under the high personal tax rates it is almost impossible for these men to make headway in their personal affairs and I sin-

cerely hope, for the sake of the business, that some change may come quickly to relieve this situation.

The greatest insurance a stockholder can have is capable, well paid men, managing the business — with stock interest in that business.

The number of our employees now in the Armed Forces exceeds 2,200 or approximately 20% of all the active employees in the United States and, in addition, there are those who have gone into service from the Defense Corporation. Over 25% of the employees of the Canadian Company are in the Services of their Government. We are proud of each and every one of these men and women.

It is interesting to note an increase of about 1,200 in the number of our Shareholders during the past twelve months. The total number of individuals now owning the Common and Preferred Stocks of your Company is slightly in excess of 42,500 — double the number of people owning these shares eleven years ago.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 11, 1944

The Procter & Gamble Company
Cincinnati, Ohio

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OUR business as a whole during the past twelve months has been good. You will remember that over two years ago we were placed upon a quota basis so far as our raw materials were concerned, and that this basis was slightly less than the average of the years 1940-41. We have been limited, therefore in the amounts that could be used, but every pound of oils and fats available to us has been utilized in the very best possible way. The careful utilization of our raw materials, together with a good tonnage crush of cottonseed, soya beans, and peanuts, and a satisfactory edible fat business have enabled us to maintain our earnings.

It is true that each day we find costs creeping up on us, and do what we may, it seems impossible to prevent higher costs for goods manufactured. This is slightly bothersome because of the ceilings on retail prices which have been placed on our products by the Office of Price Administration, but up to the present the problem has not been a major one for us.

At the moment the greatest difficulty in the administration of the business is manpower. We are now experiencing the full effect of the war effort—probably the peak effect—and it is simply impossible to man and administer the business as it should be done. It is our belief that this will not get worse but should improve as we get nearer and nearer to the end of the war, and with

the first signs of demobilization or material lessening in war production the present situation should take care of itself.

In the administration of the business we are compelled to think and talk about conditions that will exist at the end of the European phase of the war. This does not mean for one moment that we are lessening our effort either in the production of war goods or civilian goods, but the impact of the cessation of hostilities upon the economy of the country will be very great; less upon us than many other industries. Nevertheless, it is important for us to keep this situation constantly in mind, and, as we have told you before, this we are doing.

You will remember that since the war started a great many of our trained men have been taken from the business, our raw materials have been curtailed, plant construction has been stopped, and it has been impossible to obtain the equipment needed in our factories. With the return of our men, with free-flowing raw materials, and with equipment obtainable, the situation is going to be completely reversed. Naturally, therefore, it has been necessary for us to plan and be fully prepared to fit the returning men into the business, as well as to provide for much needed new equipment and new buildings.

Over the past three or four years, much knowledge has been gained that could not

be utilized, but with the return of even a semblance of normalcy, we will be very vigorous in putting into effect the changes necessary to capitalize upon this new knowledge. As each day brings us closer to the end of the war, we can now plan with some assurance that such a program can be carried out.

The carrying to completion of these plans in the postwar period will be of assistance in providing jobs in the various communities in which we have factories. We know that a great many other companies are thinking in much the same manner as we are, and the combined effect of this planning toward postwar employment, should be extremely helpful to the general economy of the country.

You undoubtedly realize that the biggest problem in front of us today is preparing for postwar conditions, and I want to repeat that a tremendous amount of work has been done by our Company in attempting to formulate sound plans and procedures for operating in that postwar period. It is utterly impossible to know the conditions that will exist over the next few years, but the business has been conducted all through the war period with the future as well as the present in mind, and there is no reason to believe that we will not be able to handle the postwar problems in a satisfactory manner. Our Company, as you know, is a very old one. We have been

through many wars and many depressions, and some way or another we have been able to come out of these troublesome times a stronger company than we were when we entered them. I see no reason why history should not repeat itself as we emerge from these very difficult years.

I think it is proper that I point out to you that our business is a peacetime business; that during the war it has been lessened rather than expanded; that we have been allowed to supply our products only in a limited way to the civilians of the country. Therefore, in the postwar period we should be able to look forward with confidence to an expansion of our normal business. No doubt the competition will be very keen, but it has always been severe in the soap and cooking fat business and I think it always will be. To my mind that is a healthy condition, particularly when we know we have been able to hold our place over many, many years and that the company has grown and prospered under this keen competition.

If you will refer to the Company's Financial Statement sent to you last July, you will notice that we have purchased United States Treasury Tax Notes for practically all of the Company's liability for accrued Federal taxes on income and that our resources have been conserved and utilized in the operation of the business. We have needed cash in order to avoid

borrowing for the conduct of the business, and while we appreciate that any company handling seasonal stocks may properly borrow money for this purpose, it is much better if it can be handled from the company's own resources; this we have been able to do over the past several years.

Our business outside of the United States since the war started has been under strict controls; there has been no opportunity for growth. In two of the countries — the Philippines and the Dutch East Indies — we have lost possession of our plants, but in England our three plants are intact and our business, while stationary, is good. The rate at which our English business was growing before the war should certainly continue, if not accelerate, in the postwar years.

Our operations in Canada and Cuba continue normal but due to restrictions in these countries, the volume in each has remained approximately the same.

I am pleased to tell you again that the work which the Company has done with the two shell-loading plants which it is operating for our Government has been good; in fact, it has been excellent and our Government has recognized it as such. I wish to repeat that these two plants are wholly owned by the United States Government. We have no investment in these plants; we are administering and operating the business for the Government.

The total number of men and women

who have left our business and gone into the Armed Forces of this country, Canada and England is 4,154. This means that nearly 30% of our employees are in the war;—a very large percentage for the Company to lose. But,—more important —it means a disruption in many, many homes of our people. We want you and them to know that we are cognizant of this.

I'm sure I speak for the shareholders of our Company and for the management, in expressing our gratefulness to these men and women, as well as our pride in their service to our country.

Last year at this time the number of shareholders on our books amounted to 43,341, and as of September, 1944, there were 44,925 which is an increase of 1,584. As we look back over a number of years to 1934, it is interesting to note that we now have 15,896 more shareholders than we had then.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 10, 1945

The Procter & Gamble Company
Cincinnati, Ohio

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THE past year has been the most severe of the war period that we have had to face. Quotas to the consuming public, controls, and restrictions have all made for very difficult operation. At the same time the volume of business has held up, and, for the Company as a whole, we have shown a slight increase. Profits in the past fiscal year, as previously reported, were approximately the same as the year before, and all I can tell you is that, in my judgment, the operation was good. It had to be good to keep up the earnings under wartime conditions.

During the last five years it has been almost impossible to do many things we should have been doing in our plants. The allocation to the war effort of metals and labor needed to produce equipment has prevented us from changing the plants in keeping with the knowledge which we have gained. Now that the war is ended and we are returning to a peacetime economy, this situation will be remedied just as quickly as material is released and labor is available. Our plans are thoroughly worked out and it is our best guess that in the calendar year of 1946 we will be well ahead in our program.

We have spoken in the past several years about controls, restrictions, and other operating difficulties caused by the war, but we have never laid particular emphasis upon our inability to promote and advertise brands in a way that seemed proper to us. Really that has been the most severe handicap to the business in the war period. The life of any business is aggressiveness in its manufacturing and distribution. While we are, of course, continuing to operate under certain restrictions and controls from Washington, some of them have been lessened and we have high hopes that within the next nine months most of them will be done away with. We will then be able to operate again in a manner that will be healthful for the business.

Although practically every kind of product our Company makes has been used in the war effort, you are well aware that we do not and did not conduct a war business. Instead of being helped by the war, our business was hampered. At the same time we knew that these controls would some day be lifted and business would return to normal. We realized the type of future organization that we would need and made definite plans for it. I feel that we enter the peace period in good shape—we have planned for peace to the best of our ability.

One of the things which has received a great deal of our attention during these years has been the maintenance of steady progress in what might be termed "security

to employees". As you know, we have had the guaranteed employment plan in our plants for over twenty years. We have had profit-sharing for wage earners and salaried employees earning up to $3,000 per year, but until recently we have never been able to formulate a satisfactory plan for those employees—very important to the Company—whose base salary exceeds $3,000 per annum.

In June of this year, the Board of Directors authorized a "Profit Sharing Trust Plan" which in effect benefits all employees who earn over $3,000 per year. The money credited to each participant depends upon his length of service with the Company and the salary which he earns. The financial basis for the Profit Sharing Trust Plan is covered in some detail in the proxy statement which has been sent to all shareholders, but the sum and substance of it is that we allocate 3½% of each year's earnings of the Company to the plan with the stipulation that the year's net earnings must be at least $16,500,000 before any money can be set aside. The current dividend cost is $13,000,000. In my judgment this is one of the most forward steps that the Company has taken and it should be the means of further strengthening the organization. To my mind, a step of this kind is essential if the Company is to continue an aggressive, strong, virile, money-making institution.

It is rather difficult to attempt to outline

conditions that may exist over the next nine months because this will be a reconversion period in our country—a transition period from war to peace economy. In our business, however, we think conditions will steadily improve; certainly they should.

As you will notice from our yearly fiscal statement of June 30, 1945, our cash position is good, but it is not normal. It is helped by the fact that we are carrying very light inventories and also because, as we mentioned before, for several years we have been unable to add factory equipment or build new plants. Consequently, the ordinary amount of cash that would go into construction has not been spent. It will be necessary, in the next two years, to use a considerable amount of this money for that purpose.

We also direct your attention to the fact that in the past year we redeemed all outstanding 5% preferred stock, at a cost of $9,292,030, so that today, in addition to our common stock, we have only an issue of 22,500 shares of non-redeemable 8% preferred stock which was issued in 1890.

Our business and plants in England are in fine condition. We are operating in a perfectly normal fashion and we see no reason why we should not continue to go forward in Great Britain.

We are in the midst of reconstructing the Philippine plant which was destroyed at the time the American forces occupied

Manila. It will probably be a year or more before this plant is again in operation, but we are moving ahead as rapidly as possible in its reconstruction.

Our plant at Soerabaja, Java, according to latest reports, was destroyed. As soon as conditions permit, we plan to rebuild and resume active operations there.

Our Cuban plant, since we purchased it in the early 1930's, has been expanded and is in good condition. We feel that the economic conditions of Cuba have been bettered and we expect normal profitable business there.

In Canada we have been under very strict control of earnings as well as volume. How long that situation will continue, we do not know, but we have hopes that now since hostilities have ceased, conditions should improve fairly quickly. Our business in Canada is good. We are enlarging the Hamilton plant and we see no reason why we should not go ahead in that country.

During past years in my reports I have touched briefly and not in detail upon the work being done by the Company for the government through the Procter & Gamble Defense Corporation. Now that military reasons no longer call for secrecy as to many phases of this operation, I feel that it is proper that I take this occasion to elaborate on my previous reports. Procter & Gamble's war effort in connection with shell- and bomb-loading is one of which

we can well be proud. In the fall of 1940 we were asked by the War Department to design, engineer, construct, and operate for the government a shell- and bomb-loading plant—the Wolf Creek Ordnance plant at Milan, Tennessee—which proved to be second to none in size. Subsequently, we were asked to build a second one—the Gulf Ordnance plant—at Aberdeen, Mississippi, and following that we took over the supervision of a large ammunition depot in Tennessee. The two plants and the depot cover an area of 54 square miles, and at the peak, employed 14,500 people.

The contract for the Wolf Creek plant was signed on December 27, 1940. The first production line was operating the last week of August 1941, and the huge plant was completed in November of that year. The cost of construction was approximately 36 million dollars, and as a result of the thorough study by Procter & Gamble engineers, this cost was one of the lowest of similiar plants built.

Procter & Gamble put approximately 150 trained men into the organization of the two plants; drawn from all branches of our Company. All jobs were time-studied, and both plants led the way in efficient methods of operation. For example, at Milan, we developed a large size, fully automatic shell-loading line for loading 20mm shells. This greatly reduced the number of people required: assured uniform quality and an excellent safety record. Our records on

quality, safety, and overall cost of operation were second to none.

During the operating period employees at the Defense Corporation received the same treatment as those at other Procter & Gamble factories, with the exception of profit sharing and guaranteed employment. All of the usual Procter & Gamble procedures of good, clean working conditions, proper placement of people, education for the job, fair pay, and numerous other policies, such as health plans, hospitalization, vacations with pay, and finally a liberal termination pay at the time of closing, went to make for a happy and efficient force. Each plant had a committee representing the entire plant which worked with the management on health, safety, and all other conditions affecting employees.

When the last line stopped operating on August 14, the production in both plants totalled several hundred million units—a very substantial part of the entire shell production of the country. We are now in the period of turning the plants and depot back to the War Department. Within 60 days all of our men should be back in their former positions.

With great regret we announce that the total fatalities among our employees in the armed forces up to the present time is 117. We are fortunate, however, that this number is small, relative to the many men and women from our Company who have served. Our men are now returning to

this country and to their former jobs. We have need for them and they will be placed in their former positions or equivalent ones. Their return to their regular work will be good for them, but it also should be helpful to the Company in adding strength to the organization in the coming months.

The total number of men and women who went into the armed forces from our Company and subsidiaries amounted to 4,454. As of September 1 there were 3,850 still with the armed forces. To each of these men and women I am sure you will join with me in expressing our gratitude and appreciation for a job well done.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 9, 1946

The Procter & Gamble Company
Cincinnati, Ohio

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THERE probably never has been a more difficult period in our business history to report on accurately, than that which faces us today. The present situation is so upset, so uncertain, and so dependent on varied and unpredictable factors that any statement regarding future business must be considered purely an estimate.

We felt we were operating under difficult conditions during the fiscal year ending June 30, 1946, but we were able to earn slightly more than we did the previous year. Our volume held up reasonably well, too, compared to the previous twelve months. All in all, we feel we can say that in spite of lack of supplies, a maze of controls and restrictions surrounding the manufacture of our products, the business was well handled.

All of this is history now. In this new fiscal year and especially in the last eight weeks we have come up against new and even more difficult problems.

What I particularly have in mind is that our supplies of soap fats for the past eight weeks have been approximately one-half of the amount that were processed by us in the same period 1940-41. The government only allows us to use 78% of the

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soap fats our production called for during 1940-41, which is considered the normal or base period, but we have not been able to buy enough fats even to reach that restricted volume figure. In general, this applies to the industry as a whole. No wonder, then, that the soap situation throughout the country has become exceedingly acute, in spite of the fact that we are making and shipping out soap as fast as raw materials are available. Because this shortage is so serious and so harmful to the public, we have real hope that the government will find some way to correct it quickly. After all, as so many disappointed customers have pointed out, there is *no* real substitute for soap. Public health demands that soap supplies be increased: present shortages are at the danger mark.

I feel it is mandatory upon me to discuss briefly here the effect of the various controls upon business. A great deal has been said for and against the effects of governmental controls. While economists can't agree as to what would happen during at least the first short period after all controls were removed, there is not the slightest doubt but that temporarily prices of some critical materials would advance sharply. It is my judgment that controls do not encourage production; that they do the reverse—they retard and blight production.

The only possible solution to short supplies is a freedom of action in our national economy, with incentives for pro-

duction which will automatically bring about increased supplies of consumer goods. Increased production is the only way of correcting the present conditions in this country, where shelves are bare of goods. Over a period of time, regulation and regimentation have not corrected the situation, and it is our judgment that the country is in trouble and will continue to be until controls are removed.

You will probably remember the work which your Company did in the war period in connection with two large shell-loading plants and various other war activities. Our work in this period has made us increasingly aware of the need for constant industrial preparedness. The Company is cooperating with the Army and Navy Services in Washington on ordnance and other problems which they present to us and in which we can be helpful to the country. You will agree this is a proper function for industry—to put its experience and knowledge fully at the service of the government. Mass production is America's strength—its greatest weapon. It is up to all of us to see that the country remains strong industrially in case future events make such preparedness necessary.

At this time last year, we mentioned in our report that it had been almost impossible to do many things we should have been doing in developing our plants during the war period. This rebuilding and replacement work has gone steadily forward

in all our plants. Of course, we have been hampered like all the rest of industry in getting materials needed for the improvements our engineers planned during the past four years.

Looking at our foreign business, in every country in which we are operating governmental controls are in effect and our business is more or less stationary with volume and profits approximately the same as they have been. I told you last year that the three plants in England were not damaged a great deal by the war. These plants are now in tip-top shape and operating well. In the Philippine Islands, where our plants were destroyed, we are in the process of reconstructing and may get into production sometime during the spring or summer of 1947. The Java plant we found only slightly damaged. Our Canadian business is going along in a perfectly normal fashion, subject to the profit and volume regulations of the country. Our Cuban business is doing very well, but again limited supplies virtually prohibit expansion there.

Throughout the war period the Company continued to do everything possible, through the regular channels of advertising and promotion, to keep before the public the names and good values offered by our products. We are continuing to do this. Brands such as ours with wide national acceptance by consumers are a most important asset of the Company today and

in the future. We deem this extra important because we are preparing for the day when restrictions will be removed and when we will enter a period of normal competition. Then the Company will progress or do otherwise pretty much depending upon the consumer acceptance of our products.

In facing these future problems our greatest assurance of the permanent strength of our Company is in its organization and personnel. If we keep the organization alert and self-reliant, the Company will be strong. To me, the most important function of management is strengthening today's organization with an eye to building and developing the organization of tomorrow.

You will observe that our cash position of June 30, 1946 is strong. We have made every effort to keep it so. At the same time we must tell you that one of the reasons for the size of the cash and U. S. Government securities reserves on hand is that our inventories are very, very low—in fact, below what is satisfactory for the proper operation of the business. If we were carrying a normal amount of raw materials and finished goods in inventory today, this would take fully one-half of the cash we now have in hand with the balance simply normal for the operation of the business. You can see that we are mindful of the situation, and as conditions change and develop, we should be able to meet them.

Taking a long range view of the business as a whole, I feel definitely that the situation should get better after January 1. By the time the twelve months of the current fiscal year are ended, I am hopeful our record will at least equal last year's. We should do better if greater supplies are available. In the past we have always been able to meet difficult conditions and to make progress, and with our present organization, our production facilities and our financial condition, I am confident that whatever conditions are faced, the Company will be able to take care of itself.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 8, 1947

The Procter & Gamble Company
Cincinnati, Ohio

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DURING the past twelve months our business has reflected the increased availability of the raw materials, which are and always have been such a key factor with us. As a result, we are pleased to tell you that the volume and character of the business have been quite good.

All during the war period, which includes a year or two before the war and a year or two after, conditions almost forced us to mark time. Our business was caught in the whirlpool of war-time regulations and necessities, and the initiative was out of our hands. For five years this continued and was not helpful to the Company.

The period of international uncertainty continues. However, we have emphasized throughout the past several years and we emphasize again today the necessity for continually strengthening our organization as well as the importance of keeping our brands steadily before the consumer. Both of these things are forms of insurance for the future, because, in the final analysis, the strength and growth of our Company depends on its sound organization and upon consumer acceptance of its brands.

I think these two jobs have been done in a satisfactory manner. Today our organization is back to a normal basis and we feel it is quite capable. Our quality

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brands are moving well and have gained further consumer acceptance during these past twelve months.

The Company has gone right ahead during the past two years in further modernizing its plants, so that we are in a position to manufacture more economically and to produce the quality brands which are in demand today. Such plant improvements are a never-ending job. There is always more to be done, and this is true today, but I can assure you that our equipment and plants are in first class condition, and we consider them exceedingly efficient.

During the war a shortage of fats and consequently of soaps helped create a nation-wide demand for synthetic (soapless) detergents . . . products such as our Dreft, Drene, Tide and Prell. I am sure it is interesting for you to know that our Company has been a pioneer in developing synthetic detergents, putting the first household type on the market as early as 1933. We have continued in the forefront of this development, have merited this preeminent position with our better brands: and today, Procter & Gamble is in a very strong position to take advantage of whatever growth may materialize in this field.

Because so many shareholders have written us about this new type of detergent we feel it is not amiss to say to you that, in our judgment, there is small chance of synthetic detergents replacing

soap products to any marked extent. They are marvelous products in some fields but limited in others, and will supplement rather than supplant soap products in most homes. The important fact to remember is that no matter how active the trend to this type of product becomes, the Company is ready and able to market the popular leaders among synthetic detergents along with its standard soap brands.

No one can administer a business today without taking into very serious consideration the crying needs of the rest of the world. These needs were brought into the headlines by the statement of our Government a few months ago and have been widely discussed the past two weeks. World-wide attention is now being focused on Washington, and basically the proposal means that we are being asked to give up a certain portion of our raw materials and food in order to help the rest of the world, and particularly western Europe. It is not difficult to see that such a situation has a direct connection with the alarming condition of the national price structure. When there is a need-plus for every pound of agricultural material that is produced in this country, for every piece of coal mined, and every piece of machinery that is manufactured, prices take on a spiralling effect until the want is satisfied or until the cost of goods to the consumer gets beyond his ability to pay.

Today the price spiral is in full swing and, of course, affects our entire economy —and very directly affects our business. However, it is our hope and belief that governmental action asking the public in the United States to conserve our resources, and use less where possible, will have its effect and will bring about at least a stabilized market, if not a lower one. It is our belief that only our country's ability to produce and produce abundantly, will make prices move downward. This can only be done by a production surplus, exceeding the demand in our own country. The production surplus must be coupled with a proper administration on the part of our Government to see to it that, while helping the rest of the world, the Government does not endanger our own economy by exporting goods faster than we can adjust ourselves to the loss of such goods.

A business such as ours, dealing with agricultural products, mainly fats and oils, can only hope to buy raw materials at current prices, convert and process them into finished products, and deliver them to the public. We do not like high prices but, if the public is to be supplied soap and shortening it is necessary to pay the prices asked in order to get the required raw materials.

You will have noticed in our Annual Statement, issued about August 1, that we called attention to the wild gyrations of prices during the fiscal year which ended

June 30. Tallow for instance, had gone from 8-5/8¢ per pound to 27¢ and back to 12¢. As a postscript to that statement, tallow has since increased from 12¢ to 21¢ per pound, just in the last two months. When prices jump like this, it is not only advisable, it is essential that we have sufficiently large reserves to take care of these unusual fluctuations. On June 30 the Company had $14,000,000 in a price decline reserve. We hope to add substantially to this fund in the first quarter of our current fiscal year. This should be done, if at all possible, to give us reasonable protection against the downward trend in prices which we believe must inevitably come. I am sure you will agree this is a sound, conservative procedure and we believe will accomplish our objective.

As a matter of interest to our shareholders, the business is being conducted with consistent effort to eliminate in every way speculation in the owning of materials. In other words, our aim is to have on hand and on order only enough goods, to permit proper manufacturing. We definitely intend to process the goods on the lowest possible basis, and take a normal profit. This is no time to try for unreasonable returns or to take chances beyond the normal risks of the business. At the same time, we feel that the Company is entitled to a percentage of profit in line with the cost of goods, and that is the basis upon which we are working.

The Company's plants in Canada, England, Cuba, the Philippine Islands, and Java, are all operating to advantage. We are in the process of rebuilding the Philippine and Java plants, and have made quite some headway there and are producing goods in both countries. We shall, of course, continue with further construction until these plants are back to normal.

In closing my statement, I am sure you will realize that it is impossible to predict with any accuracy the business over the next twelve months. The world is in an upset condition and a great deal depends upon the unknown but ever-present factor —the situation abroad—as it affects us all.

We are now operating on a very sound basis. There is a growing demand for our goods; there are enough raw materials for our plants to process; and we look forward with confidence to the immediate future.

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Report of Richard R. Deupree, President of The Procter & Gamble Company, to its Stockholders at their Annual Meeting, October 13, 1948

The Procter & Gamble Company
Cincinnati, Ohio

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BUSINESS has been good with us these past twelve months, good in all branches of the business and with practically all products. This was true not only in the United States but in our overseas operations. We are pleased to tell you that both the volume and the character of the business have been satisfactory. Our business has grown on a broad Company-wide base, and, as far as we can judge, should continue steady during the next twelve months.

The subject of synthetic detergents has been much in the news in recent months. This has been a development which the Company recognized some 15 years ago as being of potential major importance to the Company's future. As a result of an intense application of our technical research work to this problem, I am glad to tell you that today our Company is a leader in the synthetic detergent field with two brands holding leading positions among products in this class.

You will remember during the war period, which extended from 1940 to 1946, the Company was unable to acquire the material or equipment needed for the

modernization of its factories. Plans were fully drawn and ready in 1945 and work began soon after, but this is a long term project and one that is still a year from completion. The big part of the job is behind us and the modernization is already paying returns by enabling us to manufacture more economically and produce new quality brands, like Tide, which are in such demand today. The result will be modern Procter & Gamble plants strategically located across the country. The same plan of putting everything in top condition has been followed with our overseas plants.

Of course, such plant improvements are a never-ending job. Working since 1945-1946 we will actually only be making up the ground lost during the war years. Inventions and mechanical and chemical improvements are constantly forcing plant changes which account for a considerable investment each year.

You will be interested to know that so far we have been able to make these plant improvements and finance our inventory, which is much more costly than prewar due to the high prices, without adding to our capital structure. However, the high cost of everything which seems to characterize these times, has stretched that structure to

the limit. For example, last July the Company had loans at the banks totaling close to $25,000,000. A good part of this borrowed money represented the purchase price of thousands of tons of uncrushed cotton seed and soyabeans as well as other high-cost inventories; also at that time our outstanding accounts were larger than normal. The company is faced with the same high costs as is everyone else these days and there is a pressing need for every corporate dollar. However, we should be able to continue plant improvements and finance our business out of current funds unless something very unexpected happens.

As I have said before, raw materials are by far the largest items in our operating costs. We must keep a large supply of raw materials on hand, a substantial amount of material in process, and an ample supply of finished goods in the factory warehouses and other warehouses throughout the United States. In addition to this, we are compelled by procedures of purchasing to commit ourselves in advance to two or three months' supply to be sure that the materials will be received in time for processing. All of this represents hundreds of millions of pounds of fats and oils which must be bought at whatever is the pre-

vailing price and must be written down to market in case raw material prices decline.

In order to protect a business as large as ours against tremendously costly price declines we have set up and maintained a Reserve for Inventory Price Decline, as a Company insurance policy. This Reserve totaled $37,000,000 on June 30, 1948.

Let me give you an idea of the problem of price fluctuations we face. Back in 1938 we could buy fats to make soaps and shortenings for somewhere around 5¢ to 7¢ a pound. During the past twelve months prices have been as high as 27¢ a pound for soap fats and 35¢ a pound for edible fats. At present soap fats range from 13¢ to 23¢ per pound (an average of approximately 16½¢) and edible fats are selling from 16¢ to 20¢ per pound. If prices go back to normal, no business can possibly absorb these shocks to its financial system without a cushion or reserve and it is sound business practice to be prepared for it.

As you are aware, the United States is expecting bumper crops of grain, cotton, soyabeans and many other foods in 1948. This is good news for this country and the world and will result in larger supplies of fats and oils as well as grains. Big harvests will be helpful in many ways.

It is difficult to report upon the many operations of our Overseas Division. We now have plants in Canada, England, the Philippine Islands, Cuba, Java, and Mexico. You will have observed in our Annual Statement for June 30, 1948 that the earnings were substantial. We have brought back a large portion of these earnings to this country, wherever this money could be spared from the development of the business overseas. Today I can assure you that unless there is some violent upset in conditions in the countries in which we are operating, the Company feels optimistic about future prospects abroad.

We have emphasized time and again the value of a strong organization as it relates to the soundness and progress of our Company. With an expanding business it has been necessary to have a slightly larger group of executives operating the various departments and divisions of our Company. Younger men, but men with years of training in the Company, and of proven ability, have been advanced to these new positions in traditional Company fashion. I am most pleased to tell you that the organization is stronger and more vigorous than was possible during the war years and that this gives us added insurance as we look ahead

to the operation of the business in these very difficult postwar years.

With the international situation as it is today, I am sure you appreciate the difficulty of attempting any forecast or prophecy regarding our operations during the next year. There are too many factors entirely beyond our control bearing on the situation. However, if the fears and alarms prove ungrounded, we can look forward to the future with assurance.

Studying the domestic markets you will be struck by the continued strength of consumer purchasing power. Many consumer wants and needs remain unfilled to this day, though the production of goods goes on at an unparalleled rate. Today, as far as we can observe, neither the retailer, wholesaler, nor the manufacturer has piled up any large stocks of processed goods. Most of us, and I am certain this is true of Procter & Gamble, are operating in 1948 with the minimum inventory necessary to take care of our respective businesses. In fact, I see no evidence of a serious accumulation of goods except in a few minor instances. This factor alone should point the way to a continuance of good business for the Company.